BOOK REVIEWS.

Money and Banking: An Introduction to the Study of Modern Currencies. By William A. Scott. New York: Henry Holt & Co., 1903. 8vo, pp. x + 381.

Professor Scott, of the University of Wisconsin, is so well known as a judicious writer on currency questions that a work from his pen must command immediate and careful attention from all students of money and banking. The fact that he has chosen to furnish a text, rather than a more special treatment of some particular phase of the subject, will not weaken the interest excited by his book, while it may largely increase the debt of the academic world to its author. *Money and Banking* is confessedly a text-book — the outgrowth of Professor Scott's long experience in teaching the principles of modern currency to students; but it has been written with an eye to the average man who may wish to inform himself on the subject. It is, therefore, worthy of careful analysis from the standpoint of the theorist, the teacher, and the publicist.

There are fifteen chapters in this volume, which fall naturally into several general divisions of rather unequal length. One of these is concerned with the functions of money and the theory of prices; another, with government notes; the third, with bank currency; a fourth, with a review of banking systems; a fifth, with the foreign exchanges, rates of discount, etc.; while a final division is given over to the theory and history of bimetallism. A series of brief appendices and a careful index complete the book. One excellent feature of the work is found in the list of references given at the end of each chapter and designed to furnish suggestions for collateral reading. These now happily form a feature of most modern text-books, and much of their value depends upon the judgment of the author in omission. Professor Scott's collections of references are, in general, judicious and are at once thorough and brief, while the works they cite are chiefly of easy access. The book is attractively and compactly printed.

As a thorough exposition of money and banking for the use of the practical man there is little fault to be found with this work. It furnishes in convenient form a review and sound discussion of the well-

known principles of money as well as of the principal controverted issues of today. Had the book been intended for popular use alone, one might question the wisdom of furnishing the matter in such solid form and with so much detail. It is, however, clearly written, well arranged, and while it will not, perhaps, attract the so-called "man in the street," for whom some economists seem chiefly to write, the individual who wishes to inform himself will find nothing repellent or too difficult in it.

Opinions, naturally, will differ as to the utility of this work as a text-book. Pedagogical conditions are not uniform, nor is the length of time allotted to such studies as money and banking the same in all institutions. Were it not that such criticism of so good a book would seem ungracious, it might be said that the work will perhaps prove too long for use in many places; while in those institutions where sufficient time is given to the subject, much of the value and training obtained from its study is to be had by the reading of the sources upon which Professor Scott himself has drawn. In such cases the use of a text is of doubtful wisdom. The author, however, is careful to specify that his book is intended chiefly as a guide, rather than as a text in the narrow sense. Yet, if it is to be used in that way, it might be wished that there had been less discussion and a more analytical method of presentation, with more frequent references.

The chief interest of the volume must, we think, be found in its character as a work of reference. As such, discussion of it will doubtless center around the three crucial questions involved respectively in the theory of prices, the nature of a suitable bank-note system, and the analysis of foreign exchanges. On the first of these topics the author is definite, and, according to the views of the present reviewer, eminently sound. He wholly repudiates the quantity theory so largely discussed in recent currency literature, reaching the conclusion that the theory in question is based upon a fallacy and reverses the true relations of cause and effect in the explanation of price phenomena. It is perhaps unfortunate that he begs the question by adding as a further objection the fact that this theory has been a "fruitful source of false doctrines regarding monetary matters," since the truth or falsity of such doctrines depends wholly upon the acceptance or rejection of the quantity theory itself. To believers in the quantity theory, therefore, the doctrines referred to are not false, but sound. Experience has shown that its adherents have the courage of their convictions and are willing to go the full length in enforcing them.

Professor Scott's attitude on the bank-note question is not so satisfactory as on the problem of prices. One would expect to find him a thorough individualist in matters of banking, and it is therefore disappointing to find him yielding only a somewhat modified assent to the "assets-secured" note, and giving a wholly inadequate description of branch banking, while the close connection between branch banking and larger note issues is nearly neglected by him. Too little criticism of bond security is offered, and it may be said in general that the whole treatment of bank-note currency is colorless. This perhaps was intentional, since the book was meant as a text. The author does well in treating notes and deposits as substantially identical, but this mode of presentation has its dangers unless great care is used in distinguishing between the functions of deposit- and note-currency. What Professor Scott has to say of the foreign exchanges has the same interest and clarity possessed by his discussion throughout. A technical reader, however, would have the right to think that his careful treatment of the quantity theory would have led him to treat with greater fulness and in a more satisfactory way the relation of the international flow of money to the price level, and to the bank rates.

Of the relations between these two factors Professor Scott says that

> wherever gold is the standard of value, an increased output from gold mines tends to raise all prices by lowering the value of the standard. . . . . The rise of prices checks exports and stimulates imports. . . . . Gold will leave the country, its price on the local bullion markets will correspondingly rise, and the disturbed equilibrium of prices be thus restored.

It would be very hard to reconcile this statement with Professor Scott's rejection of the quantity theory. As Professor Laughlin has recently pointed out, "a mere rearrangement of the existing stock of gold . . . . would not . . . . be sufficient to change the world-value of gold." Even if, therefore, Professor Scott should claim that his statement contemplates an increase in total supply, he would have to show that such increase would not be used in satiating a non-monetary demand. Moreover, his statement of the mechanism by which prices would be lowered is inadequate, while he is clearly wrong, as Professor Nicholson has shown, in the statement that "this effect [the lowering of prices] is first felt in the country in which the mines are situated." Neither could he claim protection from criticism by the fact that he has here and there used the word "tend" as a qualifier, since the drift of his argument is too clear to be misunderstood. It would seem that the whole treatment of international trade and foreign exchange

offered by Professor Scott is unsatisfactory, and somewhat out of harmony with his general views.

Those who are largely interested in money and banking from a historical standpoint may be disappointed with the author's review of the leading banking systems, and of experience with bimetallism. In the case of the national banking system the fragmentary character of the treatment is surprising, and can be accounted for only by a desire to keep this part of the discussion within moderate limits, and to prevent disproportion. Even this, however, cannot excuse the failure to develop more clearly the salient features of the system. Bimetallism in the United States is not treated in quite so disjointed a fashion, but it is unfortunate that the present status of, and problems connected with, the silver dollar in the United States have not been made more clear. This might have been done in a very few paragraphs, and would have been particularly desirable as a feature of a text-book. More attention could profitably have been paid to bimetallism in France, especially to some of the later history of the Latin Union, which, however, is dropped in 1878 with only a brief sentence to cover doings since that date. Little or nothing is said of recent developments in gold production.

Perhaps the most severe criticism to be passed upon Mr. Scott's book as a whole is that it seeks to cover such a wide field that it cannot go really satisfactorily into any portion of it. This, and the inconsistencies of treatment to which allusion has been made, must impair its value. In a book which is in general so carefully prepared typographically, it seems too bad that some serious errors in proofreading should be found here and there. Added to this there are some strange errors in giving the names of authors. These names sometimes appear correctly in one case, and are then erroneously given at a later point. When all has been said, most critics will be ready to grant that the book is creditable, and will have a value.

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Depositenbanken und Spekulationsbanken. By DR. ADOLF WEBER, Leipzig: Duncker & Humblot, 1902. 8vo, pp. xv.+303.

THIS is a comparison of the German and English banking systems, and is one of the numerous doctor's theses of which the German universities have been so prolific within recent years. The author first reviews the nature of banking and the attitude of various German